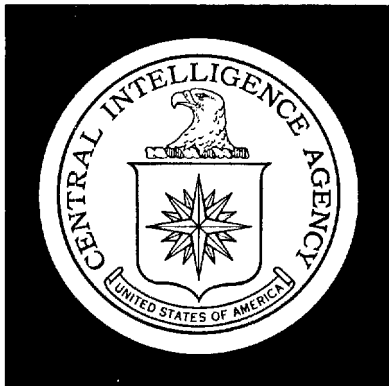


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25X1

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28 August 1971

Central Intelligence Bulletin

CONTENTS

CUBA: Reduction in aid to guerrillas. (Page 1)

BOLIVIA: Banzer is moving to consolidate his position. (Page 3)

INTERNATIONAL ECONOMIC DEVELOPMENTS: Tokyo has announced that the yen would be allowed to float. (Page 5)

NEPAL: The prime minister has resigned. (Page 6)

ECUADOR-CHILE: Allende's visit (Page 7)

CENTRAL AMERICA: Trade agreement (Page 7)

CHAD: Coup attempt fails (Page 8)

~~SECRET~~

CUBA: [REDACTED]

[REDACTED] Havana has sharply reduced its aid to guerrilla-oriented revolutionary movements in Latin America.

[REDACTED] the turning point in Cuban support to guerrilla warfare protagonists occurred in early 1968 after continuous reverses were suffered by Cuban-assisted rebel groups. [REDACTED] the government drastically reduced its aid to national liberation movements and concentrated its efforts on solving pressing domestic problems. Training in guerrilla warfare and other paramilitary subjects is now given only to small, select groups. Logistical support still continues to some rebel groups but it is restricted to very small amounts of arms, ammunition, and communications equipment.

[REDACTED] Chile, Peru, Uruguay, Bolivia, and Guatemala, in that order, as the most important Latin American countries in Havana's foreign policy scheme. [REDACTED] Fidel Castro has issued instructions to maintain complete cooperation with Chile at all costs. In the case of Peru, where the situation is very promising, no operations are to be undertaken for fear of upsetting the favorable trend of events. Subversive groups in Nicaragua, Colombia, and Venezuela are considered too disorganized, undisciplined, and untrustworthy to merit more than token Cuban support and, except for Mexico, all other Latin American countries are considered unworthy of Cuban attention. Mexico is a special case because it has always been a center of Cuban operations targeted against other countries; Castro has ordered that no operations are to be undertaken against the Mexican Government and that no assistance is to be given to any Mexican subversive group.

SECRET

25X1

[redacted]

Castro reassessed his policy of supporting rebel groups in early 1968, following the Che Guevara fiasco in Bolivia the previous year, and opted for a more realistic approach to international relations. Analysis of Castro's speeches over the past two years shows clearly the emphasis he has placed on nurturing the development of friendly governments in Chile, Peru, and, until the recent coup, in Bolivia, and indicates that he has decided that a less violent approach is more likely to diminish Cuba's isolation than continuation of support to guerrilla groups. [redacted]

25X1

SECRET

SECRET

BOLIVIA: The country remains on an emergency footing while President Banzer moves to consolidate his position.

Most of the resistance to the Banzer government has been quieted, although occasional bursts of gunfire are still heard in La Paz at night and army troops continue to occupy the main campus of the university. Leftist students, many of them still armed, provide the primary source of continuing opposition to the government now that the miners have returned to their mines.

In the hope of pacifying the miners, who make up the largest and most radical labor organization in Bolivia, the Banzer government has given assurances that no troops will be sent to the mines, that trade union rights will be guaranteed, and that the miners' present salary system will be respected. Banzer has also taken steps to obtain the support of the rural peasants, saying that domestic policies will be designed to "solve the problems of the majority of Bolivians, the campesinos."

President Banzer is also seeking to strengthen his position in the military by giving many of the most important posts to officers involved from the beginning in the plotting against the Torres government. This has contributed to some ill feeling among senior officers who now find themselves working for their former subordinates. The naming of Colonel Arana Serrudo as commander of the army, for example, has annoyed many and could eventually cause problems for the new president.

On the international scene, the new Bolivian foreign minister has openly and repeatedly stated that his government will seek close relations with the US while maintaining relations with the Soviet Union and other Communist countries. The Soviet press has so far generally given factual coverage

SECRET

to the change in government in Bolivia, but Cuba has made considerable propaganda over the "fascist coup" and alleged US involvement. The Cuban press service has also given full coverage to a statement attributed to former President Torres--now in exile in Peru--calling on the people of Bolivia to be prepared to fight for the "revolution" when the time is right.

25X1

28 Aug 71

Central Intelligence Bulletin

4

SECRET

INTERNATIONAL ECONOMIC DEVELOPMENTS: (Tokyo announced late Friday that the yen would be allowed to float. When the Japanese exchange market opened this morning the yen appreciated by 5.2 percent in slow trading.

The governor of the Bank of Japan told reporters that the bank would support the dollar if the yen appreciated too much, but he gave no indication of the point at which intervention would occur. Private bankers predicted that the yen would be allowed to appreciate by about 6 percent. Tokyo's relaxation of restrictions on Japanese commercial banks earlier this week, which resulted in the Bank of Japan purchasing about \$1.8 billion on Thursday and Friday, should have taken some of the steam out of the drive to get out of dollars, and activity on the Tokyo exchange Saturday will probably be moderate. Japanese official reserves now stand at about \$12.5 billion.)

Meanwhile in Europe, large gold sales by speculators in bullion markets yesterday drove the free market price down to \$41.12 per ounce at the final fixing in London. This represents a decline of \$1.87 per ounce in the two full weeks since announcement of the new US economic policy. Speculators apparently are beginning to realize that there is little likelihood of an early increase in the official price of gold. Euro-dollar rate increases, which raise financing costs, also discourage speculation. The floating of many major currencies favors the chances for a permanent, general realignment of foreign currencies, reducing the possibility of a rise in the official dollar price of gold.

[REDACTED]

25X1

SECRET

SECRET

NEPAL: Prime Minister Bista has resigned under pressure from King Mahendra.

The ostensible cause of Bista's resignation was the King's decision to pardon a member of the national legislature, Ram Raja Prasad Singh, who had been arrested for his public criticism of the limitations of Nepal's system of "guided democracy." In the pardon message, Mahendra was critical of the Bista government's handling of the case.

Other factors, however, may have been as important. Bista was appointed last April, largely because the King believed his anti-Indian reputation would allow him to go further than other Nepalese in making concessions to India in the deadlocked trade-and-transit talks. With the recent signing of a trade and transit treaty and growing public dissatisfaction with concessions that were made, the King may well have felt Bista had outlived his usefulness. Mahendra, moreover, may believe that the recent conclusion of the Indo-Soviet friendship treaty enhances India's power position on the subcontinent and thus furnishes an added reason for replacing the anti-Indian prime minister. Recent reports of corruption in the Bista cabinet may have also contributed to the King's decision.

A variety of politicians are being rumored as possible successors to Bista. The King could decide to head the cabinet himself, however, as he did for the year preceding Bista's appointment. In any event, the change of government is not likely to have much effect on government policies, because the King himself makes the final decisions on all important matters.

25X1

28 Aug 71

Central Intelligence Bulletin

6

SECRET

SECRETNOTES

ECUADOR-CHILE: The visit this week of Chilean President Salvador Allende to Ecuador is causing some problems for Ecuadorean President Jose Velasco Ibarra. Government Minister Nebot, a key man in the cabinet, may resign because Velasco has been so abusive about the inability of security forces to prevent the crowds that greeted Allende from adding uncomplimentary remarks about Velasco. Other Ecuadorean officials are disturbed because Velasco has taken stands similar to Allende's on issues such as the reintegration of Cuba into the inter-American system. Most of Allende's public remarks have been uninflamatory. His only action that would seem likely to upset Velasco was his meeting with representatives of the antigovernment extreme leftist university student association. President Velasco, however, may be picking up the domestic pieces from the visit long after its end. [REDACTED]

25X1

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CENTRAL AMERICA: Nicaragua, Guatemala, and Costa Rica have signed an agreement with Honduras renewing free trade, which may resurrect the Central American Common Market (CACM). The agreement allows Honduran goods to enter the other three countries duty-free while permitting Honduras to impose import duties at agreed upon rates. It signifies a major breakthrough toward re-establishing regional trade deadlocked since the soccer war between Honduras and El Salvador in 1969, when Honduras imposed tariffs on Central American products equal to those on imports from the rest of the world. The agreement apparently is a concession to long-standing Honduran complaints that CACM membership has caused growing deficits in its regional trade and slowed its industrial development. El Salvador, the remaining member of CACM, was not a participant in the negotiations but will be under considerable pressure to accede to the agreement. [REDACTED]

25X1

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28 Aug 71

Central Intelligence Bulletin

7

SECRET

SECRET

CCHAD: President Tombalbaye remains in control following an apparent coup attempt during the night of 26 August. Few details are available, but Tombalbaye has announced the arrest of two unidentified government ministers and the alleged plot leader, a Muslim former parliamentary deputy, who later committed suicide. Chad also broke diplomatic relations with Libya following a radiobroadcast by the Chadian foreign minister in which he accused the Libyans of meddling in his country's internal affairs with the aid of "a large foreign power." Fort Lamy is reportedly under heavy guard and outside communications are suspended pending the roundup of additional suspects.

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